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## Memorandum

To: Hospital Administrators  
Hospital CFO's  
Consultants

From: D. Parker Haddix   
Chairman

Date: March 30, 2000

Re: Re-establishment of Current Allowed Rates  
Policy Statement **2000-1**

In order to ensure all hospital's rates are set prospectively, beginning with the **FYE 6/30/2001** hospitals, the following procedure will be implemented (**NOTE: this policy statement is only applicable to hospitals who are current with no past due applications**):

If a hospital wishes to be considered for a prospective rate increase, it must file a timely rate application - 75 days before its FYE to be considered for rates effective on the first day of its fiscal year; 60 days before its FYE to be considered for Benchmarking (if qualified to utilize this method of rate application); 45 days before its FYE for a standard application; or within the time requirements for the other application methods available (for example: expedited, modified standard, automatic).

If a hospital does not want to file for a rate increase for its upcoming fiscal year, a letter must be submitted to the Authority at least 45 days prior to the beginning of the hospital's fiscal year requesting that the current allowed rates be re-established. However, to qualify for this request, the hospital must:

- (1) Be in compliance with all financial disclosure requirements;
- (2) Submit completed CBM-DC forms for the projected actual and budget years. The budget year CBM-DC should include any new discount contracts for which the hospital seeks approval at the beginning of its fiscal year; and,
- (3) Submit any new discount contracts for which the hospital seeks approval at the beginning of their fiscal year.

The Authority will then issue an order re-establishing the current allowed rates and it will also approve or deny discount contracts. Any disallowed contractual allowances will be placed in abeyance until the hospital files its next rate application (i.e. FY2002).

If a hospital does not file a timely rate application, the Authority will issue an order re-establishing the current allowed rates for the upcoming fiscal year and require the completed CBM-DC for the projected actual and budget years. Once an order is issued, a rate application requesting a rate increase for that fiscal year can not be submitted  
**(NOTE: not applicable to an emergency rate request)**

If a hospital does not file a timely rate application or elects not to request a rate increase, the Authority will check compliance, upon the filing of the Uniform Financial Report by the hospital. If the hospital has an overage it will be given the opportunity to justify the overage. If the overage cannot be fully justified then the unjustified amount will be placed in abeyance and the hospital will be required to file an application the following year (i.e. FY2002) within the applicable time frames for the application process it chooses.

This policy serves to: (1) eliminate the need to file a rate application for those hospitals who do not wish to implement a rate increase; (2) eliminates multiple years of past due rate applications; and, (3) keeps the hospitals, as well as the Authority in compliance with all requirements of the rate review law relating to prospective rates.

The following examples are for explanation purposes only:

Five days prior to the end of the hospital's 2000 fiscal year, if the Authority has not received an application or a request to re-establish current allowed rates, an order will be issued: (1) requiring a completed CBM-DC for the projected actual year (FY2000) and the budget year (FY2001) and (2) re-establishing the FY2000 rates for FY2001.

NEXT:

After the Authority has received the UFR for FY2000, compliance will be calculated. Data will be utilized from the UFR for both revenues and utilization.

NEXT:

If the hospital has an overage, the Authority will send out a letter requesting justification by a specific deadline. If all overages are justified, the Authority will send an acknowledgment that the justifications provided have been accepted and the overages are fully justified.

OR:

If the hospital has an unjustified overage, the Authority will issue an order stating the amount of the unjustified overage and placing the overage in abeyance. The hospital will also be **required** to submit a FY2002 application within the applicable time frames for the application process it chooses. (**Note:** If a hospital has an **unjustified overage placed into abeyance** under this process, the option of not filing for a rate increase as stated in this policy statement for its next Fiscal Year (i.e. 2002) **is not an option.**)

AND:

If the hospital does not submit a timely FY2002 application, the Authority will issue an order immediately reducing the hospital's rates by the unjustified overage as previously calculated. (Note: utilization data provided with the UFR for FY2001 will be utilized for the reduction calculation)